

Making Purchases with a Sales Tax License

Purchasing items for resale with a Colorado Sales Tax License is a privilege extended to Colorado business owners and business representatives

- The purchase on non-taxable items with a Colorado Sales Tax License includes items purchased as inventory intended for resale
- The purchase of non-taxable items for resale does not include tools, products or machinery to produce products for resale
- The Colorado Sales Tax License is NOT intended for the purchase of personal goods or business assets by a business owner or business representative without paying tax
- Businesses must preserve all invoices of goods and merchandise purchased for resale for three years. Records must be available for review by the Colorado Department of Revenue upon request
- If a business owner or business representative takes out of its inventory goods that were purchased without paying tax and uses the goods for personal or business purposes, use tax must be paid on those goods using the Consumer Use Tax return
- Tax is to be calculated on the wholesale cost of goods taken out of inventory, not on the retail value

Items that become part of the final product being sold may be purchased tax free:

Example: Paint, canvas, frame

Tools are not to be purchased tax free with a sales tax license:

Example: Paint Brush